

MichUHCAN Testimony:
Response to Michigan State House and Senate
Health Reform Packages (HB 6034 – 6037 & SB 1242-1245)

MichUHCAN is a not-for-profit educational and advocacy organization that seeks to secure health care coverage and access for all Michiganders. We have followed the development of the House and Senate individual health insurance market reform packages with much anticipation and hope for the nearly 1.8 million uninsured residents of Michigan. Nearly 80% of these uninsured Michiganders are working, but lack insurance because it is not offered by their employer and is unaffordable on the individual market. Significant reforms in the individual insurance market could make health insurance coverage a reality for hundreds of thousands of families who currently lack it.

We applaud the bipartisan efforts that members of both the House and Senate have undertaken to arrive at these very similar bills. At a time when many Michigan residents deeply distrust their state government, these legislative efforts indicate that, in fact, Michigan's elected representatives can work across the aisle to make improvements that respond to the challenges Michiganders face every day. We cannot stress enough how important that bipartisan nature of these reform efforts truly is. We encourage Representative Corriveau and Senator George to continue to work with each other and with the stake holders to produce what will inevitably be seen as a milestone in individual health insurance market reform.

Many political figures have questioned this particular sentiment, suggesting that federal health reform legislation has subsumed the need to alter Michigan law with regard to the individual insurance market. On the contrary, we feel that the reforms proposed in these two packages will bring Michigan state law unequivocally in line with federal reform and set Michigan up to be "ahead of the curve" on complying with other parts of the federal reform bill, including the exchanges. It would be a shame to let such intense efforts fall by the wayside in response to federal reforms, especially when those federal reforms require the states to do much of the work with regard to helping individuals obtain coverage.

In light of these two points, we offer our thoughts on the reform packages as they currently stand as well as a few points where we think the packages could be strengthened. We fully support the House and Senate efforts to reform the individual insurance market, and would like to see these individual market reform proposals become law. Several of the reforms will reinforce or make way for federal reforms that will come into play in the near future, while others will strengthen the individual market in complementary ways.

Opportunities for Improvement

1. **Health Behavior and Healthy Lifestyle Incentives.** While we understand the need to include shared responsibility as a cornerstone of these reforms, we strongly reject the increase in charges for obesity and smoking. The poor are

most likely to be obese or to smoke, meaning that punitive reforms may potentially exclude those patients from the market altogether, which is antithetical to the purpose of these reforms. Furthermore, there is no evidence to suggest that charging higher premiums for smoking and obesity actually reduces smoking or weight gain.

Rather, we would prefer to see a system of rewards in place that encourages patients to make and follow through on plans to improve their health by working with their doctors and other health care professionals. This rewards-based approach is very common in the private group insurance market now, as BCBSM and other providers in the state have begun to see the benefits of encouraging and providing financial incentives to improving healthy behaviors. We believe that positive behavior change incentives will not only prevent excluding patients from the market, but may also serve to actually change behaviors.

2. **Funding and Funding Stream Enhancements and Clarifications.** MI-Heart is likely to need additional sources of funding, and we suggest legislators look closely at leveling the playing field for insurers by requiring the same fee from all insurance providers as that required of BCBSM. Further, we assume that MI-Heart funds will be used to acquire federal Medicaid matching and we support that use.
3. **Other improvements.**
 - a. MI-Heart and MI-CAPP boards would both benefit from stronger consumer representation.
 - b. The MI-CAPP fund could cover more claims, and we suggest lowering the floor from \$80,000 to something in the \$40,000 range.

Federal Reforms and Important State Reform Package Components

1. **Catastrophic Re-insurance Pool.** We believe, in contrast to some, that the proposed MI-CAPP program does not interfere with, nor will it be affected by, the temporary federally-mandated high-risk insurance pool. While the two programs may be able to be combined, as they stand they serve distinct populations: The MI-CAPP program targets the catastrophic costs incurred when an insured individual becomes very ill, while the high-risk insurance pools aims to cover those without insurance access due to a high-risk pre-existing condition.

The MI-CAPP portion of the health insurance reforms is a cornerstone of the package, as only a small percentage of very sick individuals utilize the largest percentage of the health care dollar. In Michigan, the cost insurers incur from the few very sick individuals has driven up premiums in the individual market so that coverage is unaffordable for many, and becoming more onerous for many others.

By consolidating contributions from all insurers in the individual market (based on market share), the MI-CAPP program levels the playing field among insurers

and removes a major barrier to doing business in the individual market. This is a market-based reform that will help to improve coverage and competition in the individual market. The cost of doing insurance business in Michigan will be reduced, encouraging additional providers to begin providing insurance, increasing competitions and ultimately driving down prices.

Both MI-CAPP and the federally-mandated high risk pool should be enacted to provide the broadest coverage for those in the individual market for health insurance.

2. Consumer Protections, especially against pre-existing condition exclusions.

Under the reform bills, the costs of catastrophic loss in the individual market will be borne equally by all insurers, reducing the need for the right to rescission and for an exclusion for pre-existing conditions. These nefarious practices of insurers have been outlawed by the federal reform package as well and will be taking effect in September of this year. We support these protections as they will allow those who have struggled to provide insurance for themselves and their family to keep their coverage even when they become ill. We support these packages being amended to remove pre-existing conditions and come in line with federal reforms.

3. MI-Heart and access to coverage fund. This bill makes it a goal to provide coverage to everyone in the state of Michigan. It creates a mechanism with substantial 'start-up' dollars to provide subsidies to those who are at or below 300% FPL. We believe MI-Heart will complement the recently enacted federal reforms, as it can become the "exchange" required to provide individuals with access to health insurance. Subsidies under MI-Heart will augment federal subsidies. Federal reforms will provide full subsidy up to 200%FPL, and partial subsidy from 200-400% of FPL; MI-Heart will ensure that among this group of working uninsured – up to 300% FPL – coverage is even more affordable. There is nothing in the federal reforms that prohibits states from providing additional subsidies. We fully support this reform.

The bipartisan efforts that created these two packages of bills should not be lost. A great deal of work is required by the states to achieve the reforms laid out by the federal insurance reform package, and the House and Senate Bills move Michigan forward in this effort. Providing Michiganders an option for accessible, affordable, high-quality insurance is an important improvement for individuals and for our state's economy. We support these measures and will work to see that they are passed.



Anti-poverty Advocates

Testimony of MLS on reform packages

By Gary A. Benjamin, Esq.
Staff Attorney for Health Policy

Introduction:

Michigan Legal Services is an anti-poverty legal agency that has been working in Michigan to counteract poverty for over 25 years. Our health care research and work has included the attached analysis of the Michigan Catastrophic Claims Association as a possible model for reform that would lower the cost of insurance for Michigan residents.

Our main concern is with the 1.7 million uninsured 80% of whom are working or members of working families. The main two reasons this group of people has no insurance are that the price of coverage is too high, and that they usually do not qualify for Medicaid or other public plans.

We believe that House [HB 6034 – 6037] and Senate [SB 1242 – 1245] present a significant step forward in insuring that all Michiganders have access to affordable coverage. We see the four elements of this package as inter-related, as well.

Catastrophic Re-Insurance Coverage:

Cost of health care is driven up by the amount of care utilized by those who are seriously ill or injured. In Michigan that cost has driven up premiums in the individual market so that coverage is unaffordable for many, and becoming more onerous for many others. So the MI-CAPP fund would cover catastrophic claims and even out the playing field among insurers for the more expensive consumers.

This market-based mechanism will affect only those who are presently insured and their carriers. All insurers contribute based on their market share and are reimbursed based on what they had to pay out in the fiscal year for high-cost claims.

The state organized high-risk pool, to be up and running by July 1, 2010 under recently enacted federal reforms, will not be affected, nor will it affect, MI-CAPP. Only those who are uninsured for 6 months and have a pre-existing condition will be eligible

for the high-risk pool. MI-CAPP covers those who are insured and who become high-risk while insured. The 2 programs serve distinctly different populations.

We support implementing both MI-CAPP and the high-risk pool.

Consumer Protections

Because catastrophic coverage is now borne equally by all insurers there is no need for the right to rescission nor for an exclusion for pre-existing conditions. These nefarious practices of insurers have been outlawed by the federal reform package as well and will be taking effect in September of this year. We support these protections as they will allow those who have struggled to provide insurance for themselves and their family to keep their coverage even when they become ill.

Age of Dependency

Both the House and Senate bills would increase access to coverage for young adults by allowing that group to remain on their parents' group policies until the age of 26. This too is part of the federal package and takes effect nationally in September. Making it a part of state law only makes sense.

Access to coverage fund

These bills would make it a goal to provide coverage to everyone in the state of Michigan. It creates a mechanism with substantial 'start-up' dollars to provide subsidies to those who are at or below 300% FPL. The MiHeart Board can easily become the 'exchange' contemplated by the federal reforms that is to be in place on January of 2014. We support this reform.

Possible improvements

While we support these bills we believe the following would improve them;

- a. MiHeart needs other sources of revenue and we suggest that to truly level the playing field all not-for-profit insurers be required to pay the same fee the bill calls for from BCBSM;
- b. Mi Heart has wellness provisions that concern us. Charging higher premiums for those who are overweight, for example, strikes us as punitive. Giving discounts for changing behaviors or losing weight or other positive reinforcements for healthy behaviors would be more beneficial;
- c. The MI-CAPP fund could cover more claims. We suggest lowering the 'floor' from \$80,000 to something in the \$40,000 range;
- d. We would call for more consumer representation on both the MI-CAPP and Mi-Heart Boards;

- e. Given that the pre-existing condition exclusion is to be completely outlawed in September we suggest the bills be amended to make state law consistent with that reform;
- f. We assume that the Mi-Heart funds will be used as Medicaid match where possible and support that use.

Federal reforms and these bills

We believe these reforms will complement the recently enacted federal reforms. The consumer protections and increase of age of dependency will be consistent under state and federal law if these bills are passed and the pre-existing condition exclusion is made consistent with the federal acts. The Mi-Heart Board can become the 'exchange' and can begin to cover those the federal reforms would cover.

The subsidies under Mi-Heart could augment federal subsidies after January 1, 2014. At that time the federal reforms provide 'free insurance' to all those in Michigan at or below 200% FPL and partial subsidies from 201% to 400% FPL. MiHeart would provide subsidies up to 300% FPL. Once the federal legislation takes effect MiHeart could be used to provide additional subsidies to those working people between 201% and 300% FPL making coverage affordable for nearly everyone from the most destitute to those earning 300% of the FPL in 2014.

There is nothing in the federal reforms that prohibits the states from providing additional subsidies.

Finally, MI-CAPP will also drive down insurance prices starting as soon as it is implemented. Since catastrophic claims will be borne equally by all insurers and since after January 1, 2014 all insurance will be bought through an exchange this added benefit of doing insurance business in Michigan should increase competition; lower prices; and expand options for all consumers.

Conclusion

We urge passage of the reform bills before the House and Senate and encourage the legislature to consider the changes we are suggesting.

Thank you,

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May 12, 2010

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JOINT TESTIMONY OF MICHIGAN UNIVERSAL HEALTH CARE ACTION NETWORK [MichUHCAN] and
MICHIGAN LEGAL SERVICES

SB 1242 and 1243 substitutes

Introduction:

MichUHCAN is a consumer voice for health care reform which;

1. Provides comprehensive health care coverage to all Michigan residents;
2. Provides public accountability for coverage of health care services;
3. Emphasizes preventive and primary care;
4. Eliminates disparities in access to health care;
5. Includes parity in coverage for behavioral health care;
6. Provides continuous, high quality care and is portable from job to job;
7. Protects a person's right to choose his or her own health care provider;
8. Is accessible and easy to use;
9. Promotes economic well being for the state; and
10. Is affordable, cost effective, and economically sustainable by the society.

These principles have been endorsed by over 100 organizations, municipalities, or groups all over Michigan.

Michigan Legal Services is an anti-poverty agency which endorses the MichUHCAN Principles and joins with MichUHCAN in this statement.

First, we are disappointed that the reform packages developed in a bi-partisan, bi-cameral fashion seem to have been withdrawn. Those were clearly market based reform, as is the PPACA, which would have helped many Michiganians in their search for affordable health coverage. We looked at these bills as providing an opportunity to extend needed coverage to some Michiganians, and to control premiums for others, prior to 2014.

Second, with regard to the substitute bills we are generally supportive but wonder if they are adequate to enable the implementation of the PPACA. The PPACA would provide coverage to hundreds of thousands of Michiganians, mostly without cost to the state or the individual, in 2014. The PPACA would also outlaw discriminating against sick people; changes hospital billing practices; and reforms other aspects of the health care insurance and delivery system as well. We view HB 6240 and 6241 as more in line with what the federal act requires.

We also would like to see more consumer participation than one lonely voice out of 12. We often say if the stakeholders could fix health care without our participation it would have been done already. A strong and responsible consumer voice needs to be at the table.

Third, the substitute bills contain no real guidance. That is, they tell the Mi-HEALTH what to investigate but they do not state what the principles are that you are trying to support. For example, is the Senate ready to commit to covering everyone in Michigan or not? Is the Senate ready to outlaw the terrible practice of insurers in cutting people off of coverage if they get sick, or not? Is the Senate ready to limit or end caps, or not? Is the Senate ready to take a strong position about pre-existing condition exclusions, or not?

We view the present market as distorted. The people who really need health care cannot afford insurance in the individual, and often in the small group market. The PPACA tries to remedy that by providing a marketplace that is controlled; making sure many more people are covered; and providing Medicaid expansion and subsidies for millions of Americans. The PPACA outlaws hospital billing practices that charge uninsured people sometimes as much as 3 to 5 times what they charge insured people. My wife recently got a bill for \$1100 but the insurer paid \$425 – accepted in full – another place the marketplace is clearly distorted here that the PPACA attempts to remedy.

Under the PPACA people who most need coverage can get it and insurers can still survive and thrive. It creates a healthy marketplace, and the Senate should be supporting that effort.

We support the bill but think it is too weak and should include our principles and contain language that simply says that all insurers and providers shall comply with the PPACA. The Mi-HEART Recommendation Board can play a key role in determining where there are problems and suggesting solutions – a role that we support whole heartedly.

We are embarking on a new health insurance world soon – a new hospital billing world - a world with its feet firmly placed in marketplace reform. We believe the Senate should be a critical supporter of the changes since it is unlikely that any of you believe that sick people should be denied coverage, as happens in the present system.

We thank you for your time and if you have any questions of me I will be glad to try and answer them.